

I-1



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDATITLE:** Adopt Resolution Approving the City of Lodi Financial Plan and Budget for the Fiscal Year Beginning July 1, 2012 and Ending June 30, 2013 and Approving the Fiscal Year 2012/13 Appropriation Spending Limit

**MEETING DATE:** June 6, 2012

**PREPARED BY:** Deputy City Manager

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**RECOMMENDED ACTION:** Adopt resolution approving the City of Lodi Financial Plan and Budget for the Fiscal Year (FY) beginning July 1, 2012 and ending June 30, 2013 and approving the Fiscal Year 2012/13 appropriation spending limit.

**BACKGROUND INFORMATION:** The City Council will continue to receive the budget presentation and the public is invited to comment on the FY 2012/13 budget. Council has previously received information on this budget at Shirtsleeve meetings on May 1, 8, 15 and 22. A draft budget document was released on May 17.

The General Fund Budget for FY 2012/13 is balanced without the use of reserves. Council approved a General Fund Reserve Policy in June 2010 that sets aside 8 percent of General Fund revenues for a Catastrophic Reserve and 8 percent of General Fund revenues for an Economic Reserve. Total General Fund reserves are projected to be \$3.96 million. This level of reserve will fully fund the Catastrophic Reserve at a level of \$3.3 million and partially fund the Economic Reserve at about \$660,000.

The General Fund budget is \$41,909,940, an increase of \$654,600 over the prior year. The All-Funds budget is \$176,227,820, a decrease of \$33.5 million, or about 16 percent from the previous year. The bulk of this decrease is related to the appropriations for the Water Treatment Plant project.


### Significant Issues

This budget is not without a number of significant issues that the City addressed in developing a balanced budget.

The City has been operating under annual concession agreements with all of its bargaining units. While concession agreements have allowed the City to meet its budgetary requirements, such concession agreements are not conducive to long-term planning. Of the City's nine bargaining units, eight had labor agreements that expired during FY 2011/12. The City has negotiated agreements with all but two of the eight units, along with modifying the benefits for Executive, Council Appointees and Confidential employees. The City has not reached agreements with the Police Officers Association or the Dispatchers Association. The only bargaining unit whose agreement did not expire during FY 2011/12 was the International Brotherhood of Electrical Workers (IBEW). That agreement will expire on December 31, 2013.

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APPROVED:

  
Konradt Bartlam, City Manager

Each of the completed agreements addressed three fundamental issues for the City: capping medical costs, employees paying their share of retirement costs and establishing a second-tier retirement system.

Some bargaining units had agreed to an employer paid medical cap as a concession and continued with the medical cap in their successor agreement. Other bargaining units have agreed to cap medical costs at the January 2012 rate effective January 2013.

Prior to FY 2011/12, the City paid 100 percent of the employee share of retirement cost. As a concession for FY 2011/12, each bargaining group had agreed to pay a portion of the employee share of retirement cost. Negotiated successor agreements include the employees paying their full share of retirement cost over the term of the agreement.

Finally, the City sought, and the bargaining groups have agreed, to establish a second-tier retirement system. For Safety personnel, the second tier will be based upon a 3% @ 55 formula, with final compensation based upon the highest 36 months compensation. This compares to the current formula of 3% @ 50, with final compensation based upon single highest year compensation. For Miscellaneous personnel, the second tier will be based upon a 2% @ 60 formula, as compared to the current formula of 2% @ 55.

The cumulative savings associated with the negotiated agreements for FY 2012/13 is about \$1.5 million.

Negotiations continue with the Police Officers Association and the Dispatchers Association. We have had positive discussions with both groups, but have not come to agreement on all terms for successor contracts.

As a concession for FY 2011/12, the Police Officers Association agreed to un-fund two Officer positions and the Dispatchers Association agreed to un-fund one Dispatcher/Jailer position. The budget, as drafted, continues to un-fund these concession positions along with un-funding one additional Officer position.

Further, due to funding constraints within the Police Department, two additional positions are un-funded for FY 2012/13: one Assistant Animal Control Officer and one Police Records Clerk.

All told, six positions are unfunded within the Police Department to allow for a balanced budget. All six positions are vacant.

As agreements are reached with these two bargaining units, any savings is expected to be applied to funding the positions or vehicle replacements that were un-funded to balance the budget.

New positions recommended by the City Manager are an Electric Engineering Manager and a Field Services Representative in Electric Utility and an Associate Engineer in Public Works.

One change to note between the draft and final budget relates to the Water Utility. The draft budget did not include funding for a part-time Treatment Plant Operator position for plant start-up. The additional cost of \$50,000 for the temporary position is included in the attached resolution.

Significant capital projects included in the budget include:

- Surface Water Treatment Plant (\$6 million - bond funded)
  - Completion of construction of a treatment plant and appurtenances for treating Mokelumne River water
- Street Resurfacing (\$1.25 million - gas tax funded)
  - Resurface portion of Ham Lane and Mills Avenue
- Water Meter Installation (\$1.2 million - rate funded)
  - Continuing design and construction of the meter installation program

- Transit Security Equipment (\$478,000 - ARRA and Prop. 1B funded)
  - Design and install camera system for the Lodi Transit Facility
- Transit Shop Solar Project (\$400,000 - ARRA funded)
  - Construct ancillary structure and install solar panels for maintenance shop

A resolution adopting the Financial Plan and Budget is attached. Included in the budget resolution is the adoption of the Appropriation Spending Limit for the 2012/13 fiscal year. This limit represents the maximum spending authority for the City based upon population and inflation changes over the last year. The 2012/13 Appropriation Limit is \$81,450,625, an increase of \$3,558,896 from the prior year. Details of the calculations are attached as Attachment 1 and Exhibits A through G.

**FISCAL IMPACT:** The 2012/13 budget provides an expenditure plan for all funds. The All-Funds budget is \$176,227,820, a decrease of \$33.5 million, or about 16 percent from the previous year. The bulk of this decrease is related to the appropriations for the Water Treatment Plant project. The General Fund Budget is \$41,909,940, an increase of \$654,600 over the prior year's budget.

  
Jordan Ayers, Deputy City Manager

Attachments

**2012-13 FINANCIAL PLAN AND BUDGET****APPROPRIATIONS SPENDING LIMIT****2012-13 APPROPRIATIONS SPENDING LIMIT**

				AMOUNT
Last Year's Limit				77,891,729
Adjustment Factors				
1	Population %	1.0077		
2	Inflation %	1.0377		
Total Adjustment %				1.04569
Annual Adjustment				3,558,896
Adjustments				None
Total Adjustments				3,558,896
<b>2012-13 APPROPRIATIONS SPENDING LIMIT</b>				<b>81,450,625</b>

**2012-13 APPROPRIATIONS SUBJECT TO LIMITATION**

		AMOUNT
PROCEEDS OF TAXES		31,470,842
EXCLUSIONS		-
APPROPRIATIONS SUBJECT TO LIMITATION		31,470,842
CURRENT YEAR LIMIT		81,450,625
<b>OVER(UNDER) LIMIT</b>		<b>(49,979,782)</b>

## EXHIBIT A

City of Lodi  
 Appropriations Spending Limit  
 Fiscal Year 2012-13

		Amount	Source
<b>A. Last Year's Limit</b>		77,891,729	
<b>B. Adjustments Factors</b>			
1	Population %	1.0077	(Exhibit B)
2	Inflation %	1.0377	(State Finance)
Total Adjustment %		1.04569	(B1*B2)
<b>C. Annual Adjustment</b>		3,558,896	(B*A)
<b>D. Other Adjustments</b>		None	
<b>E. Total Adjustments</b>		3,558,896	(C+D)
<b>F. This Year's Limit</b>		81,450,625	(A+E)

City of Lodi  
Appropriations Spending Limit  
Growth Factors/Calculations

EXHIBIT B

GROWTH FACTORS:			
Fiscal Year	Per Capita Income	%Increase City Population	%Increase County Population
87-88	3.47	5.72	3.33
88-89	4.66	4.96	3.32
89-90	5.19	2.52	2.20
90-91	4.21	2.26	2.23
91-92	4.14	1.19	2.64
92-93	-0.64	0.97	2.41
93-94	2.72	0.73	2.13
94-95	0.71	0.51	1.57
95-96	4.72	1.31	1.59
96-97	4.67	1.68	1.85
97-98	4.67	0.70	1.21
98-99	4.15	1.16	1.47
99-00	4.53	1.94	1.44
00-01	4.91	1.29	1.78
01-02	7.82	1.90	2.71
02-03	-1.27	2.14	3.07
03-04	2.31	1.69	2.86
04-05	3.28	0.75	2.54
05-06	5.26	0.96	2.65
06-07	3.96	0.30	2.00
07-08	4.42	0.90	1.73
08-09	4.29	0.68	1.59
09-10	0.62	0.42	1.07
10-11	-2.54	0.61	0.97
11-12	2.51	0.61	0.97
12-13	3.77	0.77	1.05

CALCULATIONS:			
Fiscal Year	Calculation		Appropriation Spending Limit
87-88	$1.0347 \times 1.0572 = 1.0939$ $1.0939 \times \$22,654,787$	=	\$24,782,072
88-89	$1.0466 \times 1.0496 = 1.0985$ $1.0985 \times \$24,782,072$	=	\$27,223,106
89-90	$1.0519 \times 1.0252 = 1.0784$ $1.0784 \times \$27,223,106$	=	\$29,357,398

90-91	1.0421 x 1.0226 =1.0657 1.0657 x \$29,357,398	=	<b>\$31,286,179</b>
91-92	1.0414 x 1.0264 =1.0689 1.0689 x \$31,286,179	=	\$33,441,797
92-93	.9936 x 1.0241 =1.0175 1.0175 x 33,441,797	=	\$34,027,028
93-94	1.0272 x 1.0213 = 1.0491 1.0491x 34,027,028	=	<b>\$35,697,755</b>
94-95	1.0071 x 1.0157 = 1.0229 1.0229 x 35,697,755	=	\$36,515,234
95-96	1.0472 x 1.0131 =1.0609 1.0609 x 36,515,234	=	\$38,739,012
96-97	1.0467x1.0168=1.0643 1.0643 x 38739012	=	\$41,229,332
97-98	1.0467x1.0070=1.0540 1.0540x 41,229,332	=	\$43,456,825
98-99	1.0415x1.01160=1.0536 1.0536x 43,456,825		<b>\$45,785,303</b>
99-00	1.0453x1.0194=1.0656 1.0656x45,785,303		\$48,787,849
<b>00-01</b>	1.0491x1.0129=1.0626 1.0626x48,787,849		\$51,843,597
01-02	1.0782x1.0190=1.0987 1.0986858		\$56,959,824
02-03	.9873x1.0214=1.00843 1.00842822		\$57,439,894
03-04	1.0231x1.0169=1.0404 1.04039039		<b>\$59,759,913</b>
04-05	1.0328x1.0075=1.040546 1.040546		\$62,182,939
<b>05-06</b>	<b>1.0526x1.0096=1.06270496</b> 1.06270496		\$66,082,118
06-07	1.0396x1.0030=1.0427188 1.0427188		\$68,905,066
07-08	1.0442x1.0090=1.0535978 1.0535978		\$72,598,226
08-09	1.0429x1.0068=1.0499917 1.0499917		\$76,227,535
09-10	<b>1.0062x1.0042=1.01042604</b> 1.01042604		\$77,022,286
10-11	.9746x1.0061=.98054506 0.98054506		\$75,523,822
11-12	1.025 1x1.0061=1.03135311 1.03135311		<b>\$77,891.729</b>
12-13	1.0377x1.0077=1.04569029 1.04569029		\$81,450,625

12-13 Appropriations Subject to Limit:

<u>\$31,470,842</u>	38.64%
\$81,450,625	

# APPROPRIATIONSSUBJECTTO LIMITATION

EXHIBIT C

City of Lodi  
Fiscal Year 2012-13

	AMOUNT	SOURCE
A. PROCEEDS OF TAXES	31,470,842	(Exhibit F)
B. EXCLUSIONS	0	(Exhibit D)
C. APPROPRIATIONSSUBJECTTO LIMITATION	31,470,842	(A-B)
D. CURRENT YEAR LIMIT	81,450,625	(Exhibit A)
E. OVER(UNDER) LIMIT	(49,979,782)	(C-D)

$$\frac{31,470,842}{81,450,625} = 38.64\%$$



EXCLUDED APPROPRIATIONS

City of Lodi  
Fiscal Year 2012-13

CATEGORY		Amount
COURT ORDERS		
	Subtotal	None
FEDERAL MANDATES		
	Subtotal	None
QUALIFIED CAPITAL OUTLAYS		
	Subtotal	None
QUALIFIED DEBT SERVICE		
	Subtotal	None
TOTAL EXCLUDABLE		None

(Copy to Exhibit C & G)

**City of Lodi**  
**Schedule to Match User Fees to Costs**  
**Fiscal Year 2012-13**

**EXHIBIT E**

	<b>User Fee Collections</b>	<b>Cost Associated With User Fees</b>	<b>Amount in Excess of User fees</b>
<b>Public Safety Fees</b>	<b>361,490</b>	<b>26,473,560</b>	<b>0</b>
<b>Parks and Rec/Cultural Fees</b>	<b>1,504,410</b>	<b>5,823,440</b>	<b>0</b>
<b>Community Development Fees</b>	<b>393,970</b>	<b>1,166,550</b>	<b>0</b>
<b>PW Engineering Fees</b>	<b>154,960</b>	<b>730,220</b>	<b>0</b>
<b>Library Fees</b>	<b>42,000</b>	<b>1,420,530</b>	<b>0</b>
<b>Total</b>	<b><u>2,456,830</u></b>	<b><u>35,614,300</u></b>	<b><u>0</u></b>

## Calculation - Proceeds of Taxes

City of Lodi  
Fiscal Year 2012-13

REVENUE	PROCEEDS OF TAXES	NON-PROCEEDS OF TAXES	TOTAL
<b>TAXES:</b>			
Property Taxes	7,850,100		7,850,100
Sales & Use Tax	5,880,440	279,750	9,160,220
Business License Tax	1,414,900		1,414,900
Franchise Tax	1,714,480		1,714,480
Transient Occupancy Tax	433,200		433,200
Real Property - Documentary Tax	98,900		98,900
In-Lieu Franchise Tax	6,976,670		6,916,670
<b>FROM STATE</b>			
Motor Vehicle In Lieu	4,067,830		4,067,830
State H-way Maintenance		11,400	11,400
Gas Tax		1,567,700	1,567,700
Cigarette tax			0
Transportation Development Act		1,645,200	1,645,200
TDA - Pedestrian/Bike Path		39,200	39,200
SB 300 Transportation Partnership		0	0
Measure K Funds		800,000	800,000
State Reimbursements-POST		35,000	35,000
Public Library grants		10,000	10,000
PERS Rebate		0	0
SB90 Reimbursements		50,000	50,000
Asset Seizure Funds/Auto Theft		0	0
Drug Suppression Grant		301,410	301,410
State special grants		246,900	246,900
Traffic Congestion Relief		0	0
State STIP reimbursement		0	0
<b>LOCALLY RAISED</b>			
Fines, Forfeitures, Penalties		1,274,100	1,274,100
Licenses and permits		626,610	626,610
Rent of City Property		832,350	832,350
Development Fees		543,400	543,400
<b>USER FEES</b>			
(from Exhibit E)	0	2,456,830	2,456,830
<b>OTHER MISCELLANEOUS</b>			
Sale of Property		3,500	3,500
Restitution-Damages to Property		500	500
Other revenue		1,720,730	1,720,730
Interfund Transfers		5,432,990	5,432,990
<b>SUBTOTAL</b>			
(for Exhibit G)			
<b>INTEREST EARNINGS</b>			
(from Exhibit G)	34,322	19,518	53,840
<b>TOTAL REVENUE</b>			
(use for Exhibit C)	31,470,842	17,897,118	49,367,960
<b>RESERVE WITHDRAWALS</b>			
(Including appropriated Fund Balance)			0
<b>TOTAL OF THESE FUNDS</b>			49,367,960
<b>OTHER FUNDS NOT INCLUDED</b>			124,309,680
<b>GRAND TOTAL BUDGET</b>			173,677,640

Interest Earnings  
Produced by Taxes

City of Lodi  
Fiscal Year 2012-13

	AMOUNT	SOURCE
A. NON-INTEREST TAX PROCEEDS	31,436,520	^(Exhibit F)
B. MINUS EXCLUSIONS	0	(Exhibit D)
C. NET INVESTED TAXES	31,436,520	(A-B)
D. TOTAL NON-INTEREST BUDGET	49,314,120	^(Exhibit F)
E. TAX PROCEEDS AS PERCENT OF BUDGET	63.75%	(C/D)
F. INTEREST EARNINGS	53,840	
G. AMOUNT OF INTEREST EARNED FROM TAXES	34,322	(E*F)
H. AMOUNT OF INTEREST EARNED ON NON-TAXES	19,518	(F-G)
I. Take the result of steps #G & H Copy on to Exhibit F		

RESOLUTION NO. 2012-89

A RESOLUTION OF THE LODI CITY COUNCIL  
ADOPTING THE CITY OF LODI FINANCIAL PLAN AND  
BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1,  
2012 AND ENDING JUNE 30, 2013, AND APPROVING  
THE 2012/13 APPROPRIATIONS SPENDING LIMIT

WHEREAS, the City Manager submitted the 2012/13 balanced Financial Plan and Budget to the City Council on May 17, 2012; and

WHEREAS, the 2012/13 Financial Plan and Budget was prepared in accordance with the City Council's goals, budget assumptions, and policies; and

WHEREAS, the City Council conducted public budget meetings on May 1, May 8, May 15, May 22, and June 6, 2012, at the Carnegie Forum; and

WHEREAS, the City Council is required to adopt the Appropriations Spending Limit for 2012/13; and

WHEREAS, the Appropriations Spending Limit and the annual adjustment factors selected to calculate the Limit are part of the Financial Plan and Budget.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lodi as follows:

1. That the 2012/13 Financial Plan and Budget, as proposed by the City Manager, be approved as follows:

	Budget
<b>General Fund</b>	
Police	\$16,891,930
Fire	\$9,581,630
Public Works	\$1,570,400
City Clerk	\$585,340
City Manager	\$418,040
City Attorney	\$466,730
Internal Services	\$3,374,420
Economic Development	\$618,690
Non-Departmental	\$8,402,760
<b>Total General Fund</b>	<b>\$41,909,940</b>
<b>Other Funds</b>	
Electric Utility	\$68,827,180
Water Utility	\$18,853,250
Wastewater Utility	\$13,701,870
Transit	\$4,690,760
Streets	\$3,857,690
Community Development	\$1,166,550

Parks, Rec & Cultural Services	\$5,823,440
Library	\$1,420,530
Transportation Development Act	\$55,000
Community Dev Block Grant	\$889,540
Public Safety Special Revenue	\$337,580
Capital Outlay	\$739,700
Equip & Vehicle Replacement	\$368,500
Debt Service	\$1,667,910
Benefits	\$7,565,160
Self Insurance	\$2,251,000
Trust and Agency	\$283,000
Fleet Services	\$1,819,220
<b>Total Other Funds</b>	<b>\$134,317,880</b>
<b>Total</b>	<b>\$176,227,820</b>

2. That the funds for the 2012/13 Financial Plan and Budget are appropriated as summarized in the document on file in the City Clerks Office; and
3. That the Appropriations Spending Limit be increased by \$3,558,896 from the 2011/12 level of \$77,891,729 to the 2012/13 level of \$81,450,625.

Dated: June 6, 2012

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I hereby certify that Resolution No. 2012-89 was passed and adopted by the City Council of the City of Lodi in a regular meeting held June 6, 2012, by the following votes:

AYES: COUNCIL MEMBERS – Hansen, Katzakian, Nakanishi, and Mayor Mounce

NOES: COUNCIL MEMBERS – Johnson

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

  
**RANDI JOHL**  
City Clerk

A decorative graphic featuring a thin gold circle. A large black left square bracket is positioned on the left side of the circle, and a large gold right square bracket is on the right side. A horizontal bar with a gold-to-white gradient is placed across the middle of the circle, containing the text.

# Fiscal Year 2012/13 Budget

City Council Meeting  
June 6, 2012

# [Overview]

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- General Fund balanced
- Significant issues
- Major capital projects



# [ All Funds ]

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- Total appropriation of \$176,227,820
- Total revenue of \$181,753,700
- Increase in reserves of \$5.6M
  - Enterprise funds (\$4.5M)
  - Insurance (\$0.8M)
  - Others (\$0.3M)

# [ General Fund ]

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- Balanced without using reserves
- Total revenues and appropriations of \$41,909,940
- Recommending 6 positions unfunded in Police Department to balance budget
  - 3 Police Officers
  - 1 Dispatcher/Jailer
  - 1 Records Clerk
  - 1 Assistant Animal Services Officer

# [ General Fund Overview ]

	Audited 2009-10 Actuals	Audited 2010-11 Actuals	2011-12 Budget	Estimated 2011-12 Actuals	2012-13 Budget
<b>General Fund</b>					
<u><b>Fund Balance</b></u>					
Beginning Fund Balance Unreserved	3,383,191	3,896,576	3,961,428	5,597,678	3,968,897
Revenues	40,547,920	41,889,230	41,255,340	41,182,451	41,909,940
Expenditures	<u>40,034,535</u>	<u>40,188,128</u>	<u>43,136,412</u>	<u>42,811,232</u>	<u>41,909,940</u>
Net Difference (Revenues Less Expenditures)	513,385	1,701,102	(1,881,072)	(1,628,781)	-
<u><b>Fund Balance</b></u>					
Ending Fund Balance Unreserved	<u>3,896,576</u>	<u>5,597,678</u>	<u>2,080,356</u>	<u>3,968,897</u>	<u>3,968,897</u>

# [ Labor Negotiations ]

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- 8 of 9 bargaining units' agreements expired in 2011/12
- Negotiated successor agreements with all but 2 units
  - Police Officers Association
  - Dispatchers Association
    - Discussions on-going with both
- Modified benefits for Executives, Council Appointees, Council and Confidential

# [Labor Negotiations]

- Key elements of new agreements
  - Employee share of PERS
    - Employees pay full share by end of agreement
  - Medical Cost Cap
    - City cost capped at January 2012 rates
  - 2<sup>nd</sup> Tier Retirement
    - Safety-3% @ 55; highest 36 months
    - Miscellaneous-2% @ 60

# [Major Capital Projects]

- Surface Water Treatment Plant completion (\$6.0M)
- Electric System Maintenance (\$1.4M)
- Road Maintenance/Resurfacing (\$1.25M)
- Water Meter Design/Installation (\$1.2M)
- PCE/TCE Remediation (\$1.0M)
- Wastewater Collection/Treatment System Maintenance (\$0.86M)

# [Action Requested]

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- Adopt resolution approving the City of Lodi Financial Plan and Budget for FY 2012/13 and approving the FY 2012/13 Appropriation Spending Limit



Questions?